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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Supervisory Board of Polski Koncern Naftowy Orlen S.A.

Report on the Audit of the Annual Consolidated Financial Statements

Opinion

We have audited the annual consolidated financial statements of the group (the "Group") with Polski Koncern Naftowy Orlen S.A. as the parent (the "Parent"), which comprise the consolidated statement of financial position as at December 31, 2018, consolidated statement of profit and loss account and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the economic and financial position of the Group as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union, and the adopted accounting policies;
- comply, as regards their form and content, with the applicable laws and the articles of association of the Parent.

Our opinion is consistent with the Additional Report to the Audit Committee which we issued on 20 March 2019.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") in a version adopted by the National Council of Statutory Auditors as the Polish Standards on Auditing ("PSAs") and in compliance with the Act on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017 (the "Act on Statutory Auditors", Journal of Laws of 2017, item 1089, as amended) as well as Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("EU Regulation", Official Journal of the European Union L158). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants ("IFAC Code"), adopted by resolution of the National Council of Statutory Auditors, together with the ethical requirements that are relevant to the audit of the financial statements in Poland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC Code. Throughout the audit, both the key statutory auditor and the audit firm remained independent of the Group in accordance with the independence requirements set out in the Act on Statutory Auditors and in the EU Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They encompass the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We summarized our response to those risks and, where appropriate, we presented the key findings related to those risks. We do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Recoverability of the carrying amount of property, plant and equipment</td></tr>
<tr><td>The Group uses material intangible assets and property, plant and equipment (notes 10.2.1 and 10.2.2) with respect to which an impairment loss of PLN 12 856 million was recorded in the prior years.

Historically, the value of impairment losses was subject to considerable fluctuations depending on the changing external conditions, such as macroeconomic parameters and intra-Group strategic decisions regarding new financial and operating objectives.

Considering the current forecasts regarding the service potential of assets and the current discount rates, the Management Board reversed material impairment losses on the assets of the Unipetrol Group and revalued the assets of the Upstream Group (note 10.2.5).

We believe that the assessment of the value in use is the key audit risk due to the significance of the judgement, in particular with respect to the impact of changes of specific key assumptions used in the discounted cash flow models on the estimates of the assets’ value in use.</td><td>In particular, our audit procedures included:
– an assessment of the Group’s design and implementation of the procedure to estimate the service potential of assets;
– an analysis of the consistency of the judgements made by the Group with respect to the grouping of assets into cash-generating units;
– a critical assessment of the assumptions and estimates made by the Management Board (supported by Deloitte’s valuation experts) with respect to the calculation of future cash flows, including:
  - a comparison of the assumptions about future cash flows with approved budgets and a new medium-term plan and an assessment of the validity of adjustments made to the plans;
  - an analysis of the appropriateness and consistency of key macroeconomic assumptions and comparing them with the forecasts of other market participants;
  - an assessment of the method of calculation of the residual values beyond the period covered by the medium-term plans and of compliance of such methods with the International Financial Reporting Standards;
– an analysis of the consistency of the methods used to calculate the discount rates and the correctness of their calculation;
– for development and production assets our procedures also included a comparison of the forecast production volumes and price scenarios with the reports prepared by independent experts provided by the Group and an evaluation of the independence and expertise of such experts;</td></tr>
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Key Audit Matter	How the matter was addressed in the audit
	– an assessment of the sensitivity analysis performed by the Group with respect to the key model assumptions made by the Group; – an assessment of the correctness and completeness of the disclosures regarding impairment.
Assessment of provisions for disputes as well as related contingent liabilities	
The Group is party to numerous court and regulatory proceedings which may give rise to both positive and negative cash flows. As at 31 December 2018 in note 10.4.4.2 the Group disclosed pending proceedings that it is party to and in which the value of claims is material. The evaluation of the degree of probability that a given claim will be enforced is subject to a significant degree of uncertainty and subjectivity. At the same time though it is the basis of disclosing a given claim as a provision or contingent liability in the financial statements.	In particular, our audit procedures included: – review of our understanding of the internal control environment as regards evaluation of the effects of pending disputes and their classification in the financial statements; – an analysis of independent confirmations given by law firms and discussion of material disputes with the Group's lawyers and key management; – a review of the minutes of meetings of the Management and Supervisory Boards of significant entities in the Group in terms of court and official proceedings; – a critical assessment of the Group's classification of disputes from the perspective of recognition of provisions or their classification as contingent liabilities in the notes to the financial statements.
First-time application of IFRS 16 "Leases"	

The Group is party to numerous leases and holds rights to control the use of certain assets in a way that will require that they be recognised in the balance sheet as right-of-use assets. As at 31 December 2018 in note 5.5 the Group recognised the expected impact of the application of IFRS 16 "Leases" on subsequent financial statements.
 	
Due to the need to make a number of judgements when estimating the value of the impact of the new accounting standard on the financial statements as regards the valuation of the existing operating leases, e.g. through determining the lease terms or the discount rates, the area has been identified as key to the audit.
	In particular, our audit procedures included:
	– an assessment of the planned accounting policies regarding the recognition of leases and related practical solutions and exemptions applied by the Group;
	– an analysis of the appropriateness of the judgements made by the Group with respect to the opening balance and valuation of leases, regarding, inter alia:
	  - an assessment of the duration of the lease;
	  - a recognition of contracts with an indefinite term of the lease;
	  - defining the method of calculating incremental borrowing rates used when discounting future cash flows and the correctness of their calculation;
	  - indicating the useful life of the right-of-use assets;
	– a review of the Group's contracts to determine their correctness and completeness of disclosure in terms of the impact of IFRS 16 on the financial statements;

Key Audit Matter	How the matter was addressed in the audit
	– a review of the disclosure regarding the impact of the new accounting standard on the Group's financial statements.

Responsibilities of the Management Board and the Supervisory Board of the Parent for the Consolidated Financial Statements

The Parent's Management Board is responsible for the preparation of consolidated financial statements which give a true and fair view of the economic and financial position of the Group and of its financial performance in accordance with the applicable International Financial Reporting Standards, as endorsed by the European Union, the adopted accounting policies as well as the applicable laws and articles of association of the Parent, and for such internal control as the Parent's Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's Management Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Parent's Management Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Management Board and members of the Supervisory Board of the Parent are obliged to ensure that the consolidated financial statements meet the requirements of the Accounting Act of 29 September 1994 (the "Accounting Act", Journal of Laws of 2019, item 351). Members of the Parent's Supervisory Board are responsible for overseeing the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

The scope of an audit does not include an assurance about the future profitability of the Group or the effectiveness or efficiency of the Parent's Management Board in managing the Group's affairs at present or in the future.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Management Board;
- conclude on the appropriateness of the Parent's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and that we will communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent's Supervisory Board, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information, Including the Report on the Activities

Other information includes a report on the Group's activities in the financial year ended December 31, 2018 (the "Report on the Activities"), together with a statement of compliance with corporate governance principles as referred to in Article 49b.1 of the Accounting Act, which constitute separate parts of the Report (together: the "Other Information").

Report of the activities of Orlen Group and PKN Orlen S.A. for the year 2018, in accordance with art. 55 sec. 2a of the Accounting Act has been prepared jointly.

Responsibilities of the Management Board and the Supervisory Board

The Parent's Management Board is responsible for the preparation of the Other Information in accordance with the applicable laws.

The Management Board and members of the Supervisory Board of the Parent are obliged to ensure that the Report on the Activities, along with the separate parts, meet the requirements of the Accounting Act.

Auditor's Responsibilities

Our opinion on the consolidated financial statements does not cover the Other Information. In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our auditor's report. Additionally, under the Act on Statutory Auditors we are obliged to express an opinion on whether the Report on the Activities has been prepared in accordance with the applicable laws and whether it is consistent with the information contained in the consolidated financial statements. Furthermore, we are obliged to state whether a non-financial information statement has been prepared by the Group and to express an opinion on whether the Group has included the necessary information in the statement of compliance with corporate governance principles.

Opinion on the Report on the Activities

Based on our work performed during the audit, we are of the opinion that the Report on the Activities:

– has been prepared in accordance with Article 49 of the Accounting Act and par. 71 of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states (the "Current Information Regulation", Journal of Laws of 2018, item 757);

– is consistent with the information contained in the consolidated financial statements.

Furthermore, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements of the Report on the Activities.

Opinion on the Statement of Compliance with Corporate Governance Principles

In our opinion, the statement of compliance with corporate governance principles contains the information referred to in par. 70.6.5 of the Current Information Regulation. We are also of the opinion that the information referred to in par. 70.6.5(c)-(f), (h) and (i) of the Regulation, as contained in the statement of compliance with corporate governance principles, is in accordance with the applicable laws and consistent with the information included in the consolidated financial statements.

Information on Non-Financial Information

In accordance with the requirements of the Act on Statutory Auditors, we would like to inform you that the Group does not prepare a non-financial information statement, relying on the exemption under Article 55.2c of the Accounting Act. In the Report on the Activities, the Group included information concerning the preparation of a separate non-financial report. By the date of this report, the Group had prepared a separate non-financial report.

We have not performed any assurance services relating to the separate non-financial report and we do not express any form of assurance conclusion thereon.

Report on Other Legal and Regulatory Requirements

Statement Concerning Provision of Non-Audit Services

To the best of our knowledge and belief, we represent that non-audit services which we have provided to the Parent and to its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services which are prohibited under Article 5.1 of the EU Regulation and Article 136 of the Act on Statutory Auditors. The non-audit services which we provided to the Parent and to its subsidiaries in the audited period have been listed in point 6.7.2 in the Report on the Activities.

Appointment of the Auditor

We were appointed as the auditor of the Group's consolidated financial statements by resolution 1746/16 of Supervisory Board of 15 December 2016. Our total uninterrupted period of engagement to audit the Group's consolidated financial statements is two consecutive financial years, i.e. starting from the financial year ended 31 December 2017.

The key statutory auditor on the audit resulting in this independent auditor's report is Piotr Sokołowski.

Acting on behalf of Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Sp. k. with its registered seat in Warsaw, entered under number 73 on the list of audit firms, in the name of which the consolidated financial statements have been audited by the key statutory auditor:

This Report is an English version of the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

Piotr Sokołowski

Digitally signed by Piotr Sokołowski

Piotr Sokołowski
Registered under number 9752

Warsaw, 20 March 2019